GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2583
ANSWERED ON:12.03.2010
13TH FINANCE COMMISSION
Balram Shri P.;Dhruvanarayana Shri R. ;Naik Dr. Sanjeev Ganesh;Owaisi Shri Asaduddin;Patil Shri Sanjay Dina ;Ponnam Shri Prabhakar;Reddy Shri K. Jayasurya Prakash;Singh Dr. Raghuvansh Prasad;Sule Supriya

Will the Minister of FINANCE be pleased to state:

(a) whether the 13th Finance Commission has submitted its Report;

(b) if so, the main features of the recommendations contained in the said Report and action being taken thereon;

(c) whether the report has suggested new plans for fiscal consolidation for the next five years; and

(d) if so, the details thereof and reaction of the Government thereto?

Answer

Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a): Yes, sir.

(b): The 13 Finance Commission recommendations broadly cover, inter-alia, Goods and Services Tax, sharing of union tax revenue, revised roadmap for fiscal consolidation, grant to local bodies, disaster relief, debt relief to States and grants-in-aid. The report of the 13 Finance Commission together with an Explanatory Memorandum as to the action taken on the Commission`s recommendations was laid on the table of the House on 25-02-2010.

(c) & (d): The 13th Finance Commission has assessed the finances of the Union and States and specified a combined debt target of 68% of Gross Domestic Product (GDP) to be achieved by 2014-15. The Commission has worked out a roadmap for Fiscal Deficit (FD) and Revenue Deficit (RD) for the award period. For the Centre, it has recommended RD to be eliminated and FD to be brought down to 3% of GDP by 2013-14.

For States, the Commission has worked out fiscal roadmap for each state depending on its current deficit and debt levels. The States are required to eliminate RD and achieve FD at 3% of their respective Gross State Domestic Product (GSDP) during the Commission`s award period in stages, in a manner that all the States would eliminate RD and achieve FD of 3% of GSDP by 2014-15. The Commission has also recommended that the borrowing limits of the States should be fixed by the Centre in line with these targets.

The Government has accepted these recommendations in principle.